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BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 MIKE GLEASON
Chairman
3 WILLIAM A. MUNDELL
Commissioner
4 JEFF HATCH-MILLER
Commissioner
5 KRISTIN K. MAYES
Commissioner
6 GARY PIERCE
Commissioner
7

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AZ CORP COMMISSION Arizona Corporation Commission
DOCKET CONTROL DOCKETED

JUL 16 2008

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8 IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
9 COMPANY, INC., AN ARIZONA
CORPORATION, FOR A DETERMINATION
10 OF THE FAIR VALUE OF ITS UTILITY
PLANT AND PROPERTY AND FOR
11 INCREASES IN ITS RATES AND CHARGES
FOR UTILITY SERVICE BASED THEREON.
12

DOCKET NO. W-02113A-07-0551

**STAFF'S RESPONSE TO THE
COMPANY'S NOTICE OF
IMPLEMENTATION OF INTERIM
RATES PURSUANT TO A.R.S. § 40-256
AND NOTICE OF POSTPONEMENT**

13 Chaparral City Water Company, Inc. ("Company") is engaged in providing water service
14 within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission
15 ("Commission"), and has a 2007 rate case application pending in the above captioned docket. On
16 July 7, 2008, the Company filed a "Notice of Implementation of Interim Rates Pursuant to Arizona
17 Revised Statutes ("ARS") § 40-256". The filing stated that the Company intends to unilaterally
18 implement an increase in its rates on an interim basis on August 18, 2008, and to notice its
19 customers of its intention 10 days after its July 7, 2008 filing.

20 Commission Staff and the Company met to discuss the Company's July 7, 2008 filing on
21 July 10, 2008. Subsequently, the Company filed a "Notice of Postponement of Implementation of
22 Interim Rates Pursuant to ARS § 40-256" on July 11, 2008. In its Notice of Postponement filing,
23 the Company stated that it elected to postpone its unilateral implementation of interim rates as set
24 forth in its July 7, 2008 filing, but reserved the right in the future to implement interim rates under
25 ARS § 40-256 ("or as may otherwise be permitted under Arizona law") upon 10 days notice to the
26 Commission prior to mailing notice to its customers.

27 The Company's July 11, 2008 Notice of Postponement indicates that the Company does
28 not intend to proceed at this time under its notice and implementation of interim rates described in

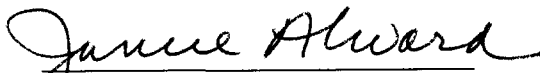
1 its July 7, 2008 filing. However, the Company's July 11, 2008 filing holds open the possibility
2 that the Company may at sometime in the future attempt to notice and implement an interim rate
3 increase without authority by the Commission.

4 Staff does not agree that the Company has a right to unilaterally notice and implement an
5 interim rate increase pursuant to ARS § 40-256, and would oppose an attempt by the Company to
6 notice and implement an interim rate increase without an order by the Commission. In Staff's
7 view, it is unlikely that ARS § 40-256 rate making provisions are constitutional. But even
8 assuming for purposes of argument that the statute's rate making provisions could be found
9 constitutional, the Company's July 7, 2008 proposal fails to comply with the terms of ARS § 40-
10 256.E, which requires Commission action prior to the implementation of interim rates.

11 Further, the January 22, 2008 Procedural Order in this docket suspended the running of the
12 time clock until after the Commission's final order in the remand proceeding in Docket No. W-
13 02113A-04-0616. Although the Company applied for reconsideration of the January 22, 2008
14 procedural order, it failed to pursue any appeal when the Commission took no action on its request.
15 The Company cannot rely on the running of the time clock calculated under ARS § 40-256, when
16 its 2007 rate case time clock was suspended in the January 22, 2008 order in accordance with
17 Arizona Administrative Code ("A.A.C.") R14-2-103.B.11.¹

18 In light of the above and the issues that are implicated by the Company's filings, Staff
19 suggests that a procedural conference may be helpful, and therefore requests that the Hearing
20 Division schedule a procedural conference at its earliest convenience to address these matters.

21 RESPECTFULLY SUBMITTED this 16th day of July, 2008.

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23 
24 Janice Alward, Chief Counsel
25 Arizona Corporation Commission
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28 ¹ The Company's failure to comply with ARS § 40-256 is also asserted by the Residential Utility Consumer's Office's
July 8, 2008 opposition to the Company's implementation of interim rates and motion for an order prohibiting the
Company from implementing an interim rate increase.

1 Original and thirteen (13) copies
2 of the foregoing were filed this
3 16th day of July, 2008 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85008

8 Copy of the foregoing mailed this
9 16th day of July, 2008 to:

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